

THE COMPLIANCE CONNECTION

REGULATORY NEWS FOR VIRGINIA MORTGAGE COMPANIES
STATE CORPORATION COMMISSION - BUREAU OF FINANCIAL INSTITUTIONS

2014 VOLUME II



The Compliance Connection is part of the Bureau's efforts to improve communication with the companies we regulate. It is distributed to Virginia mortgage and industrial loan association licensees, and other interested parties. It is the licensee's responsibility to read this newsletter and to be familiar with the positions and interpretations stated herein.

Suggestions and comments concerning the newsletter or its contents should be addressed to the Bureau at P.O. Box 640, Richmond, VA 23218-0640 or via email at bfquestions@sc.virginia.gov.

MLO Renewals

It's never too early to begin thinking about mortgage loan originators (MLO) renewal requirements. Section 6.2- 1710 of the Code of Virginia requires individual mortgage loan originators (MLOs) to complete eight (8) hours of Nationwide Mortgage Licensing System (NMLS) approved continuing education (CE). The 8 hours of CE must include 3 hours in federal law, 2 hours of ethics training (to include fraud, consumer protection and fair lending), 2 hours of non-traditional mortgage lending, and 1 hour of an elective. Keep in mind the following:

- Before registering for a course, check the course description to see if the course uses licensed content or shares content with another course. Do not take a course with the same title or title keywords two years in a row.
- Do not take pre-licensure education (PE) courses. PE courses do not count toward CE .
- CE is **not required** if you completed PE and obtained your MLO license in 2014.
- CE courses are reviewed and approved by the NMLS, based upon reasonable standards.

Renewal requests made after December 12, 2014 may not get processed before December 31, 2014. Since it may take as long as seven days for a course provider to report a course completion into NMLS, MLOs are strongly encouraged not to wait until the last minute to complete CE or they may be prevented from submitting a renewal request before the year-end deadline. Plan ahead and beat the rush!

Inside this Issue:

MLO Renewals	1
NMLS Mortgage Call Reports	1
Tips for Complying with Advertising Regulations	2
License Surrender 101	2
License Update	3-4
NMLS Mortgage Call Reports	5

NMLS Mortgage Call Reports

All companies holding a Virginia mortgage license or companies employing Virginia licensed mortgage loan originators must complete the Mortgage Call Report (MCR) on a quarterly basis and submit it through NMLS. The MCR has two components: the Residential Mortgage Lending Activity (RMLA) report and the Financial Condition (FC) report. The RMLA must be filed within 45 days following the end of each quarter. The filing deadlines are the same each year and are as follows:

1st quarter ends March 31—MCR due May 15th

2nd quarter ends June 30—MCR due August 14

3rd quarter ends September 30—MCR due November 14

4th quarter ends December 31—MCR due February 14

The FC report collects financial information at the company level and does not have to be completed on a state by state basis. (One FC is submitted for all states). For licen-

(continued on page 5)

Tips for Complying with Advertising Regulations

The Bureau continues to find advertisements that violate Virginia Regulation 10 VAC 5-160-60. Licensees must make sure their policies and procedures are up to date and that affected employees are aware of the advertising regulations and company policies. Advertisements that fail to comply with applicable laws and regulations can result in a recommendation to the Commission to impose a civil penalty of not more than \$2,500 per violation, pursuant to § 6.2-1624 of the Code of Virginia.



Here are some things to keep in mind when developing advertising for your mortgage company; whether in print, on the radio, television, or on the internet:

Regarding the licensed mortgage company's name:

- the mortgage company name in the ad must be the same as the name listed in the license issued by the Commission
- the mortgage company name must be listed clearly and conspicuously in the advertisement – meaning the name is reasonably understandable, prominently located, and readily noticeable by a potential borrower of ordinary intelligence, NOT hidden in the small print at the bottom of the ad or on the back of the solicitation, or read too quickly to understand in a radio/television ad
- the advertising mortgage company's name should be larger in size and more prominently located than any other mortgage company/bank's name appearing in the advertisement, such as the consumer's current note holder or the name of a competing mortgage company/bank

Regarding the mortgage licensee's license number:

- the NMLS ID number for the mortgage company placing the ad must appear clearly and conspicuously, followed *immediately* by the address for the NMLS Consumer Access web site (For example: NMLS ID# 999999 (www.nmlsconsumeraccess.org)). These two disclosures must be together -- having one without the other does not provide the consumer with the information needed to research the licensee (such as license status and type, licensed locations, regulatory actions, name of person to contact in case of a problem or complaint)

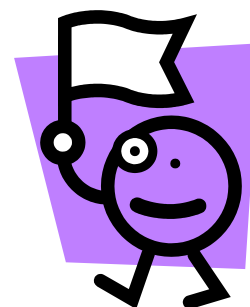
Regarding prohibited statements/disclosures and misleading information:

- do not list a rate of interest without also stating that the rate may change or not be available at the time of loan lock-in or commitment (additional requirements and prohibitions relating to advertising rates are listed in the

(continued on page 4)

License Surrender 101

Mortgage company licenses issued by the Virginia State Corporation Commission ("Commission") do not expire. The licenses are good until surrendered, suspended or revoked. The requirement to "renew" a license in NMLS is a requirement of the NMLS, not the Commission. A mortgage company's failure to "renew" in NMLS does not constitute a surrender of their Virginia license. To surrender a company license or branch license in Virginia, you must file the surrender request through NMLS within 10 days of the company ceasing Virginia business. There is no fee involved with surrendering a license. After updating the company's record in NMLS, a licensee should return (by mail) the original company license (company or branch license(s)) and include a letter notifying the Bureau of the address where the Virginia loan files will be stored.



PLEASE NOTE: MLO licenses DO require annual renewal. MLO licenses expire annually on December 31, unless the MLO completes the required continuing education, provides the required information in the system, pays the renewal fees and requests renewal in NMLS.

If a licensee has questions concerning this matter, contact the Licensing Section of the Bureau by phone at 804-371-0484 or via e-mail at mortgagelicensing@scv.virginia.gov. For NMLS assistance, call the NMLS Call Center at 240-386-4444.

License Update

The following is a list of companies and individuals that have been barred, had their license revoked, had an application denied, or paid a fine or civil penalty since March 15, 2014. This list should be helpful to keep track of companies with which you do business. These lists are accurate as of October 22, 2014. Call the Bureau if you have a question concerning a recent denial or regulatory action taken by the Commission.

Settlement Orders

Allecon Mortgage, LP -- settlement order entered July 16, 2014. Paid \$2,500 for allegedly failing to obtain Commission approval prior to acquiring 90% of the ownership of RMC Vanguard Mortgage Corporation (formerly MC-2687) in violation of § 6.2-1608 of the Code of Virginia.

CPL Holdings, LLC – settlement order entered July 28, 2014. Paid \$5,000 for allegedly failing to obtain Commission approval prior to acquiring 100% of the ownership of LMB Mortgage Services, Inc. (MC – 5455) in violation of § 6.2-1608 of the Code of Virginia.

MC -- 5317 New America Financial Corporation – settlement order entered August 1, 2014. Paid \$13,500 for allegedly failing to comply with §§ 6.2-1614 and 6.2-406 of the Code of Virginia; 10 VAC 5-160-30; 10 VAC 5-160-20; 10 VAC 5-160-60 of the Rules Governing Mortgage Lenders and Brokers, and 12 CFR §§1024.7 and 1024.15 of the Real Estate Settlement Procedures Act.

MC – 5238 Summit Funding, Inc. d/b/a Greenwood Lending – settlement order entered October 17, 2014. Paid \$14,000 for allegedly failing to comply with §§ 6.2-406, 6.2-1614, and 55-66.3 of the Code of Virginia; 10 VAC 5-160-30 and 10 VAC 5-160-60 of the Commission's Rules Governing Mortgage Lenders and Brokers.

MLO – 6824 Richard Allen Drake – settlement order entered September 30, 2014. Paid \$500 for allegedly failing to file a written report with the Commission as required by § 6.2-1717 of the Code of Virginia.

The following licensees entered into settlements with the Commission for failing to timely file its annual report, in violation of § 6.2-1610 of the Code of Virginia:

MC – 5612 786 Mortgage LLC – paid \$500; order dated July 11, 2014

MC – 5156 All Homes Financial LLC -- paid \$200; order dated July 15, 2014

MC – 4927 Alpha Mortgage Corporation – paid \$500; order dated June 3, 2014

MC – 4817 Atlantic Mortgage Direct LLC – paid \$500; order dated June 3, 2014

MC – 5575 Bay-Valley Mortgage Group, Inc. – paid \$500; order dated May 5, 2014

MC – 5618 Corelogic Servicese, LLC – paid \$500; order dated June 3, 2014

MC – 5673 CStone Mortgage, Inc. – paid \$500; order dated May 12, 2014

MC – 5625 Gradient Home Mortgage, LLC – paid \$500; order dated June 4, 2014

MC – 5504 JKB Lending, LLC – paid \$500; order dated July 11, 2014

MC – 5648 Nationwide Financial Corp. – paid \$500; order dated May 12, 2014

MC – 5557 PMAC Lending Services, Inc. – paid \$500; order dated May 5, 2014

MC – 3003 Residential Finance Corporation – paid \$500; order dated June 16, 2014

MC – 783 Residential Mortgage Funding Corporation – paid \$500; order dated August 6, 2014

MC – 5600 Security America Mortgage, Inc. – paid \$500; order dated May 5, 2014

MC – 1562 Washington Home Mortgage, LLC – paid \$500; order dated August 6, 2014

MC – 4344 Watermark Capital, Inc. – paid \$500; order dated May 5, 2014



(continued on page 4)

License Update (continued from page 3)

Mortgage Company License Revocations:

MC – 3040 Executive Financial Services Co., Inc., -- revocation order entered on July 15, 2014. Lender portion of license revoked for failure to maintain at least \$200,000 in funds available for the operation of its mortgage lending business as required by § 6.2-1606 of the Code of Virginia. **COMPANY IS STILL LICENSED AS A MORTGAGE BROKER**

MC – 4843 1st Solution Mortgage Inc. – revocation order entered on August 28, 2014 for failure to maintain a surety bond in violation of § 6.2-1604 of the Code of Virginia.

Persons Barred from Employment, Management, or Control (pursuant to § 6.2-1620 of the Code of Virginia)

MLO — 936 Bing Sing D. Wang a/k/a Cindy Wang – order entered August 27, 2014

Tips for Complying with Advertising Regulations (continued from page 2)

federal Truth in Lending Act (Regulation Z))

- do not include statements or representations that are deceptive, false or misleading, or misrepresent the terms, conditions or charges for the loan such as:
 - indicating the mortgage company is a mortgage lender when it is only licensed as a mortgage broker;
 - stating a particular interest rate is available regardless of your credit score, if credit is considered in the approval process;
 - disguising the true purpose of the solicitation by sending solicitations that give the impression that there is a problem with the consumer's loan when there isn't or that it comes from the consumer's current note holder or the government)
- do not make statements that imply the mortgage company is affiliated with or an agent or division of, a governmental agency, depository institution, or other entity when no such relationship exists. For example:
 - using a false address on a solicitation that leads the reader to believe it was sent by a governmental agency (i.e.: 1900 Pennsylvania Ave., Washington, DC)
 - sending a solicitation that looks like an IRS W-2 statement or other official government form
- do not state that a consumer is or will be "pre-approved" for a mortgage loan without also disclosing that "THIS IS NOT A LOAN APPROVAL" (in at least 14-point, bold type) and clearly and conspicuously disclosing the conditions or qualifications associated with the preapproval
- do not make the envelope that contains the solicitation appear that the mailing is an official communication from a governmental entity (such as using false DC address, envelopes that display seals that are similar to government seals; or words, terms, or phrases that imply it is being sent by a government agency)

Regarding required statements/disclosures:

- if an advertisement includes specific information about a consumer's current mortgage and this information was not obtained from the consumer, mortgage licensees must identify the source of the information, such as public court records, credit reporting agency, etc.

Licensees must also maintain an example of every advertisement used for soliciting Virginia business for at least three years after it is last published, delivered, transmitted, or made available. This includes solicitation letters, commercial scripts, and recordings of all radio and television broadcasts.

NMLS Mortgage Call Reports (continued from page 1)

sees filing the standard MCR, the company's FC is due annually, within 90 days of your company's Fiscal Year End. For licensees filing an expanded MCR, the company's FC must be submitted quarterly, within 45 days of the end of every quarter.

During our review of recent MCR filings we noticed that some licensees are including loans they have purchased from other lenders or investors in the loan totals. Loans purchased from other lenders or investors should not be included in the loan totals in RMLA Section I but should be included on line 1220 in RMLA Section II. Please be guided accordingly with future MCR filings.



Please note that if the MCR is not filed or not filed in a timely manner, the licensee will be cited for violations of Virginia Regulation 10 VAC 5-160-90 (D) during our examination of the licensee and during our normal review of company MCR filings. In addition, pursuant to § 6.2-1624 of the Code of Virginia, the Commission can impose a civil penalty on the licensee of up to \$2500 per violation.

If you have questions or need assistance with filing your company's MCR, contact the NMLS Call Center at 855-665-7123. For additional information, visit the NMLS Resource Center at:

<http://mortgage.nationwidelicensingsystem.org/Pages/default.aspx>.



**Bureau of
Financial Institutions**
VIRGINIA STATE CORPORATION COMMISSION

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